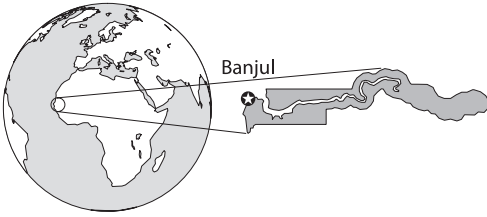


THE GAMBIA



World Rank: **118**

Regional Rank: **20**

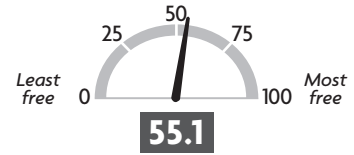
The Gambia's economic freedom score is 55.1, making its economy the 118th freest in the 2010 *Index*. Its overall score is 0.7 point lower than last year, reflecting in particular lower scores in property rights and freedom from corruption. The Gambia is ranked 20th out of 46 countries in the Sub-Saharan Africa region, and its overall score is lower than the world average.

The Gambian economy is highly concentrated in the agricultural sector, reflecting a lack of entrepreneurial dynamism. Economic growth, though around 6 percent over the past five years, remains fragile in the absence of a vibrant private sector. The government presence is pervasive, and state-controlled enterprises dominate key sectors. Despite some progress in easing barriers to establishing and running businesses, the overall regulatory environment remains burdened by red tape and a lack of transparency.

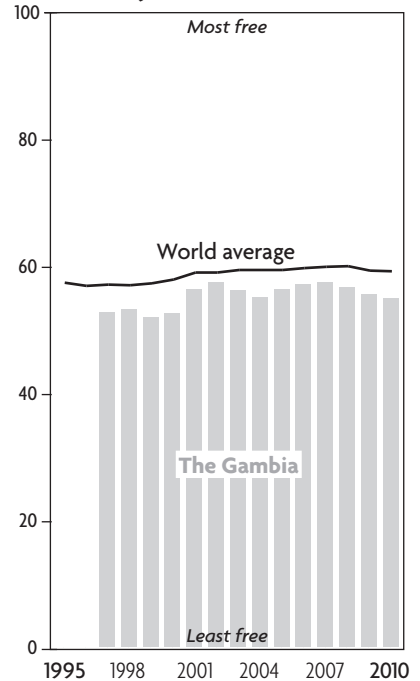
Other institutional impediments to economic freedom include the inefficient protection of property rights, corruption, and the weak rule of law. Pervasive corruption is a serious deterrent to translating economic growth into the effective reduction of poverty throughout the population.

BACKGROUND: President Sir Dawda Kairaba Jawara ruled for almost 30 years until 1994, when he was ousted by a military coup led by Lieutenant Yahya Jammeh. Jammeh won flawed multi-party presidential elections in 1996, 2001, and 2006. International rights groups have criticized the government's restraints on civil liberties and political opponents, and journalists have frequently been imprisoned without charge. Geographically, the country tracks the banks of the Gambia River. It has few natural resources. Agriculture employs over 70 percent of the labor force and accounted for 33 percent of GDP in 2007. Tourism is an important source of foreign exchange. Groundnuts are the most important agricultural crop, accounting for over half of domestic exports. The infrastructure is improving but remains inadequate, with frequent power shortages and poor roads.

Economic Freedom Score



Country's Score Over Time



Quick Facts

Population: 1.7 million

GDP (PPP): \$2.3 billion

5.9% growth in 2008

6.0% 5-year compound annual growth

\$1,363 per capita

Unemployment: n/a

Inflation (CPI): 4.5%

FDI Inflow: \$63.0 million

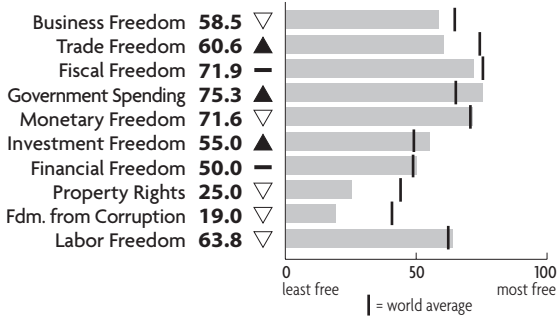
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

THE GAMBIA'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 58.5

The overall freedom to conduct business remains limited by The Gambia's regulatory environment. Starting a business takes an average of 27 days, compared to the world average of 35 days. Obtaining a business license requires less than the world average of 18 procedures and 218 days. Closing a business can be burdensome and costly.

TRADE FREEDOM — 60.6

The Gambia's weighted average tariff rate was 14.7 percent in 2008. Inefficient and sometimes corrupt regulatory administration, restrictive licensing, sanitary and phytosanitary prohibitions, and a large informal trade sector add to the cost of trade. Ten points were deducted from The Gambia's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 71.9

The Gambia has relatively high tax rates. The top income and corporate tax rates are 35 percent. Other taxes include a capital gains tax and a sales tax on goods and services. In the most recent year, overall tax revenue as a percentage of GDP was 19.0 percent.

GOVERNMENT SPENDING — 75.3

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 28.7 percent of GDP.

MONETARY FREEDOM — 71.6

Inflation has been moderate but rising, averaging 4.5 percent between 2006 and 2008. The government influences prices through a large public sector, and most leading companies, including those in agriculture, water, electricity, maritime services, public transportation, and telecommunications, remain in government hands. Fifteen points were deducted from The Gambia's monetary freedom score to adjust for measures that distort domestic prices.

INVESTMENT FREEDOM — 55

Foreign and domestic investments generally receive equal treatment. There are no limits on foreign ownership or control of businesses except in the operations of foreign exchange bureaus and in television broadcasting and defense industries, which are closed to private-sector participation.

There is an embargo on establishing new private security companies. Joint ventures are encouraged, but foreign investors may invest without a local partner. Investment is hindered by political influence in the bureaucracy, government corruption, and limited access to financing. Residents and non-residents may hold foreign exchange accounts, and there are few restrictions on foreign exchange and capital transactions. Repatriation of profits is permitted.

FINANCIAL FREEDOM — 50

The Gambia's small financial system is dominated by banking. The banking sector is not fully developed but is relatively sound, despite non-performing loans that are estimated at slightly over 10 percent of total loans. Credit to the private sector has increased. Supervision and regulation remain deficient due to weak institutional capacity. There are 11 banks, including an Islamic development bank. Almost all commercial banks are majority-owned by foreign banks. The insurance sector is small but growing. Two commercial banks have entered the microfinance industry. The government has created a Credit Reference Bureau, but its operation has been delayed. The central bank has established prudential guidelines aimed at reducing barriers to new non-bank financial institutions. Capital markets consist only of government securities; there is no stock exchange.

PROPERTY RIGHTS — 25

The judicial system is inefficient and, especially at the lower levels, subject to pressure from the executive branch. Intimidation of lawyers, a lack of independence, and a lack of technical support severely undermine the administration of justice. Lack of judicial security is one of the main deterrents to doing business. Although the constitution and law provide for protection of most human rights, there are problems in many areas. For example, prisoners are held incommunicado without charge, face prolonged pre-trial detention, are denied access to families and lawyers, and are tortured and denied due process. The government restricts freedom of speech and press through intimidation, detention, and restrictive legislation, and several journalists have been murdered. Nevertheless, the law provides adequate protection for intellectual property, patents, copyrights, and trademarks.

FREEDOM FROM CORRUPTION — 19

Corruption is perceived as pervasive. The Gambia ranks 158th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, a decline from 2007. Corruption among senior government officials is serious, and the few prosecutions of high-profile politicians have not been conducted in a way that bespeaks serious intent.

LABOR FREEDOM — 63.8

Labor regulations are relatively flexible. The non-salary cost of employing a worker is moderate, and dismissing an employee is relatively easy. Restrictions on work hours are fairly flexible.